

**UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA**

In re: SANTA CRUZ BERRY FARMING COMPANY, LLC

Case No. 15-51771

**CHAPTER 11
MONTHLY OPERATING REPORT
(GENERAL BUSINESS CASE)**

SUMMARY OF FINANCIAL STATUS

MONTH ENDED: 8/31/15

PETITION DATE: 05/25/15

1. Debtor in possession (or trustee) hereby submits this Monthly Operating Report on the Accrual Basis of accounting (or if checked here the Office of the U.S. Trustee or the Court has approved the Cash Basis of Accounting for the Debtor).
Dollars reported in \$1,125,920

	End of Current Month	End of Prior Month	As of Petition Filing
2. Asset and Liability Structure			
a. Current Assets	\$5,678,457	\$5,108,652	
b. Total Assets	\$5,679,445	\$5,108,654	\$5,618,800
c. Current Liabilities	\$450,082	\$291,598	
d. Total Liabilities	\$2,043,988	\$1,885,504	\$1,615,556
			Cumulative (Case to Date)
3. Statement of Cash Receipts & Disbursements for Month	Current Month	Prior Month	
a. Total Receipts	\$1,257,356	\$633,696	\$2,809,895
b. Total Disbursements	\$1,270,670	\$575,606	\$1,846,276
c. Excess (Deficiency) of Receipts Over Disbursements (a - b)	(\$13,314)	\$58,090	\$963,619
d. Cash Balance Beginning of Month	\$29,095	\$0	\$0
e. Cash Balance End of Month (c + d)	\$15,781	\$58,090	\$963,619
	Current Month	Prior Month	Cumulative (Case to Date)
4. Profit/(Loss) from the Statement of Operations	\$404,236	\$457,788	\$862,024
5. Account Receivables (Pre and Post Petition)	\$1,162,676	\$354,614	
6. Post-Petition Liabilities	\$450,082	\$291,598	
7. Past Due Post-Petition Account Payables (over 30 days)	\$0	\$0	

At the end of this reporting month:

- | | Yes | No |
|--|-----|----|
| 8. Have any payments been made on pre-petition debt, other than payments in the normal course to secured creditors or lessors? (if yes, attach listing including date of payment, amount of payment and name of payee) | | X |
| 9. Have any payments been made to professionals? (if yes, attach listing including date of payment, amount of payment and name of payee) | | X |
| 10. If the answer is yes to 8 or 9, were all such payments approved by the court? | | X |
| 11. Have any payments been made to officers, insiders, shareholders, relatives? (if yes, attach listing including date of payment, amount and reason for payment, and name of payee) | | X |
| 12. Is the estate insured for replacement cost of assets and for general liability? | X | |
| 13. Are a plan and disclosure statement on file? | | X |
| 14. Was there any post-petition borrowing during this reporting period? | | X |
15. Check if paid: Post-petition taxes ☐; U.S. Trustee Quarterly Fees ☐; Check if filing is current for: Post-petition tax reporting and tax returns: ☐
(Attach explanation, if post-petition taxes or U.S. Trustee Quarterly Fees are not paid current or if post-petition tax reporting and tax return filings are not current.)

I declare under penalty of perjury I have reviewed the above summary and attached financial statements, and after making reasonable inquiry believe these documents are correct.

Date: 9/22/15



Responsible Individual

Robert Fritz Koontz

STATEMENT OF OPERATIONS

(General Business Case)

For the Month Ended 8/31/15

Current Month				Cumulative (Case to Date)	Next Month Forecast
Actual	Forecast	Variance			
\$1,710,305	\$1,871,400	(\$161,095)	Revenues:		
		\$0	1 Gross Sales	\$4,109,352	\$2,556,400
\$1,710,305	\$1,871,400	(\$161,095)	2 less: Sales Returns & Allowances		
\$1,168,465	\$1,049,515	(\$118,950)	3 Net Sales	\$4,109,352	\$2,556,400
\$541,840	\$821,885	(\$280,045)	4 less: Cost of Goods Sold (Schedule 'B')	\$2,747,011	\$999,984
		\$0	5 Gross Profit	\$1,362,341	\$1,556,416
		\$0	6 Interest		
		\$0	7 Other Income:		
		\$0	8		
		\$0	9		
\$541,840	\$821,885	(\$280,045)	10 Total Revenues	\$1,362,341	\$1,556,416
			Expenses:		
\$18,788	\$21,750	\$2,962	11 Compensation to Owner(s)/Officer(s) (\$.15/box)	\$18,788	\$27,750
\$32,172	\$31,975	(\$197)	12 Salaries	\$100,924	\$31,975
\$0	\$0	\$0	13 Commissions (Included in COGS)	\$0	\$0
\$0	\$0	\$0	14 Contract Labor (Included in COGS)	\$0	\$0
			Rent/Lease:		
\$2,886	\$20,000	\$17,114	15 Personal Property	\$0	\$20,000
\$5,020	\$6,940	\$1,920	16 Real Property (Land lease included in COGS)	\$5,020	\$6,940
\$39,239	\$27,215	(\$12,024)	17 Insurance	\$69,718	\$27,215
\$0	\$0	\$0	18 Management Fees		
\$0	\$0	\$0	19 Depreciation		
			Taxes:		
\$2,535	\$0	(\$2,535)	20 Employer Payroll Taxes	\$73,023	\$73,864
\$0	\$0	\$0	21 Real Property Taxes	\$0	
\$0	\$0	\$0	22 Other Taxes	\$0	
\$0	\$0	\$0	23 Other Selling	\$0	
\$0	\$0	\$0	24 Other Administrative	\$0	
\$353	\$0	(\$353)	25 Interest	\$705	
\$3,520	\$0	(\$3,520)	26 Other Expenses: Consulting (PCA)	\$3,520	\$0
\$6,428	\$2,877	(\$3,551)	27 Telephone	\$15,214	\$2,877
\$379	\$2,000	\$1,621	28 Office Expense	\$1,950	\$2,000
\$1,389	\$3,034	\$1,645	29 Computer Expense	\$7,943	\$3,034
\$973	\$300	(\$673)	30 Bank Charges	\$1,502	\$300
\$3,458	\$6,183	\$2,725	31 Dues & Subscriptions	\$3,458	
\$0	\$0	\$0	32 Postage	\$49	\$0
\$339	\$2,000	\$1,661	33 Miscellaneous Expense	\$339	\$2,300
		\$0	34		
\$117,477	\$124,274	\$6,797	35 Total Expenses	\$283,364	\$198,255
\$424,363	\$697,611	(\$273,248)	36 Subtotal	\$1,078,977	\$1,358,161
			Reorganization Items:		
\$20,126	\$0	(\$20,126)	37 Professional Fees	\$171,527	\$30,000
\$0	\$0	\$0	38 Provisions for Rejected Executory Contracts		\$0
\$0	\$0	\$0	39 Interest Earned on Accumulated Cash from Resulting Chp 11 Case		\$0
\$0	\$0	\$0	40 Gain or (Loss) from Sale of Equipment		\$0
\$4,550	\$9,750	\$5,200	41 U.S. Trustee Quarterly Fees	\$4,875	\$0
		\$0	42		
\$20,126	\$9,750	\$10,376	43 Total Reorganization Items	\$176,402	\$30,000
\$404,236	\$687,861	(\$283,625)	44 Net Profit (Loss) Before Federal & State Taxes	\$711,432	\$1,328,161
		\$0	45 Federal & State Income Taxes		
\$404,236	\$687,861	(\$283,625)	46 Net Profit (Loss)	\$711,432	\$1,328,161

Attach an Explanation of Variance to Statement of Operations (For variances greater than +/- 10% only):

BALANCE SHEET
(General Business Case)

For the Month Ended 8/31/15

Assets

Current Assets

From Schedules

Market Value

1	Cash and cash equivalents - unrestricted		\$15,781
2	Cash and cash equivalents - restricted		
3	Accounts receivable (net)	A	\$1,162,676
4	Inventory	B	\$0
5	Prepaid expenses		
6	Professional retainers		
7	Other: <u>Cash in crop (net of sales)</u>		\$4,500,000
8			
9	Total Current Assets		\$5,678,457

Property and Equipment (Market Value)

10	Real property	C	\$0
11	Machinery and equipment	D	\$0
12	Furniture and fixtures	D	\$0
13	Office equipment	D	\$986
14	Leasehold improvements	D	\$0
15	Vehicles	D	\$0
16	Other: _____	D	
17	_____	D	
18	_____	D	
19	_____	D	
20	_____	D	
21	Total Property and Equipment		\$986

Other Assets

22	Loans to shareholders		
23	Loans to affiliates		
24	<u>Litigation claims against Tom Lange Company Int'l</u>		\$1
25	<u>Litigation claims against other entities</u>		\$1
26	_____		
27	_____		
28	Total Other Assets		\$2
29	Total Assets		\$5,679,445

NOTE:

Indicate the method used to estimate the market value of assets (e.g., appraisals; familiarity with comparable market prices, etc.) and the date the value was determined.

Liabilities and Equity
(General Business Case)

Liabilities From Schedules

Post-Petition

Current Liabilities

30	Salaries and wages		
31	Payroll taxes		\$156,315
32	Real and personal property taxes		
33	Income taxes		
34	Sales taxes		
35	Notes payable (short term)		
36	Accounts payable (trade)	A	\$122,240
37	Real property lease arrearage		
38	Personal property lease arrearage		
39	Accrued professional fees (May 25-August 31, 2015)		\$171,527
40	Current portion of long-term post-petition debt (due within 12 months)		
41	Other:		
42			
43			
44	Total Current Liabilities		\$450,082

Long-Term Post-Petition Debt, Net of Current Portion

45			
46	Total Post-Petition Liabilities		\$450,082

Pre-Petition Liabilities (allowed amount)

47	Secured claims	F	\$248,000
48	Priority unsecured claims	F	\$135,925
49	General unsecured claims	F	\$1,209,981
50	Total Pre-Petition Liabilities		\$1,593,906
51	Total Liabilities		\$2,043,988

Equity (Deficit)

52	Retained Earnings/(Deficit) at time of filing		\$1,300,810
53	Capital Stock		\$31,125
54	Additional paid-in capital		
55	Cumulative profit/(loss) since filing of case		\$715,449
56	Post-petition contributions/(distributions) or (draws)		\$0
57			
58	Market value adjustment (implied profit from crop)		\$1,588,073
59	Total Equity (Deficit)		\$3,635,457
60	Total Liabilities and Equity (Deficit)		\$5,679,445

SCHEDULES TO THE BALANCE SHEET

(General Business Case)

Schedule A

Accounts Receivable and (Net) Payable

Receivables and Payables Agings	Accounts Receivable [Pre and Post Petition]	Accounts Payable [Post Petition]	Past Due Post Petition Debt
0 -30 Days	\$981,314	\$122,240	
31-60 Days	\$169,794		
61-90 Days	\$111,567		
91+ Days			\$0
Total accounts receivable/payable	\$1,262,676	\$122,240	
Allowance for doubtful accounts			
Accounts receivable (net)	\$1,262,676		

Schedule B

Inventory/Cost of Goods Sold

<u>Types and Amount of Inventory(ies)</u>		<u>Cost of Goods Sold</u>
	Inventory(ies) Balance at <u>End of Month</u>	Inventory Beginning of Month
		Add -
Retail/Restaurants -		Net purchase
Product for resale		Direct labor
		Manufacturing overhead
Distribution -		Freight in
Products for resale		Other:
Manufacturer -		
Raw Materials		
Work-in-progress		Less -
Finished goods		Inventory End of Month
		Shrinkage
Other - Explain		Personal Use
		Cost of Goods Sold
TOTAL	\$0	\$0

Method of Inventory Control

Do you have a functioning perpetual inventory system?

Yes ☐ No ☐

How often do you take a complete physical inventory?

Weekly

Monthly

Quarterly

Semi-annually

Annually

Date of last physical inventory was

Date of next physical inventory is

Inventory Valuation Methods

Indicate by a checkmark method of inventory used.

Valuation methods -

FIFO cost

LIFO cost

Lower of cost or market

Retail method

Other _____

Explain

**Schedule C
Real Property**

Description	<u>Cost</u>	<u>Market Value</u>
Total	\$0	\$0

**Schedule D
Other Depreciable Assets**

Description	<u>Cost</u>	<u>Market Value</u>
Machinery & Equipment -		
Total	\$0	\$0
Furniture & Fixtures -		
Total	\$0	\$0
Office Equipment -		
Computers, software, office equipment (net of depreciation)		\$986
Total	\$0	\$986
Leasehold Improvements -		
Total	\$0	\$0
Vehicles -		
Total	\$0	\$0

Schedule E
Aging of Post-Petition Taxes
(As of End of the Current Reporting Period)

Taxes Payable	<u>0-30 Days</u>	<u>31-60 Days</u>	<u>61-90 Days</u>	<u>91+ Days</u>	<u>Total</u>
Federal					
Income Tax Withholding	\$128,387	\$0			\$128,387
FICA - Employee					\$0
FICA - Employer					\$0
Unemployment (FUTA)					\$0
Income					\$0
Other (Attach List)					\$0
Total Federal Taxes	\$128,387	\$0	\$0	\$0	\$128,387
State and Local					
Income Tax Withholding	\$24,866	\$3,064			\$27,929
Unemployment (UT)					\$0
Disability Insurance (DI)					\$0
Empl. Training Tax (ETT)					\$0
Sales					\$0
Excise					\$0
Real property					\$0
Personal property					\$0
Income					\$0
Other (Attach List)					\$0
Total State & Local Taxes	\$24,866	\$3,064	\$0	\$0	\$27,929
Total Taxes	\$153,253	\$3,064	\$0	\$0	\$156,316

Schedule F
Pre-Petition Liabilities

<u>List Total Claims For Each Classification -</u>	<u>Claimed Amount</u>	<u>Allowed Amount (b)</u>
Secured claims (a)	\$2,544,325	\$248,000
Priority claims other than taxes		
Priority tax claims	\$135,925	\$135,925
General unsecured claims	\$1,209,981	\$1,209,981

- (a) List total amount of claims even if under secured.
- (b) Estimated amount of claim to be allowed after compromise or litigation. As an example, you are a defendant in a lawsuit alleging damage of \$10,000,000 and a proof of claim is filed in that amount. You believe that you can settle the case for a claim of \$3,000,000. For Schedule F reporting purposes you should list \$10,000,000 as the Claimed Amount and \$3,000,000 as the Allowed Amount.

Schedule G
Rental Income Information
Not applicable to General Business Cases

Schedule H
Recapitulation of Funds Held at End of Month

	<u>Account 1</u>	<u>Account 2</u>	<u>Account 3</u>	<u>Account 4</u>
Bank	Rabobank	Rabobank		
Account Type	Checking	Checking		
Account No.	xxxx42051	xxxx31873		
Account Purpose	General	Payroll		
Balance, End of Month	\$66,773	(\$50,991)		
Total Funds on Hand for all Accounts	<u>\$15,781</u>			

Attach copies of the month end bank statement(s), reconciliation(s), and the check register(s) to the Monthly Operating Report.

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

Increase/(Decrease) in Cash and Cash Equivalents

For the Month Ended 08/31/15

		Actual Current Month	Cumulative (Case to Date)
Cash Receipts			
1	Rent/Leases Collected		
2	Cash Received from Sales	\$1,257,356	\$2,809,895
3	Interest Received		
4	Borrowings		
5	Funds from Shareholders, Partners, or Other Insiders		
6	Capital Contributions		
7			
8			
9			
10			
11			
12	Total Cash Receipts	\$1,257,356	\$2,809,895
Cash Disbursements			
13	Payments for Inventory	0	
14	Selling		\$16,783
15	Administrative		\$42,012
16	Capital Expenditures		
17	Principal Payments on Debt		
18	Interest Paid	\$0	\$353
	Rent/Lease:		
19	Personal Property	\$0	
20	Real Property	\$68,395	\$68,395
	Amount Paid to Owner(s)/Officer(s)		
21	Salaries	\$0	
22	Draws	\$0	
23	Commissions/Royalties	\$18,788	
24	Expense Reimbursements	\$0	
25	Other	\$0	
26	Salaries/Commissions (less employee withholding)	\$733,715	\$1,704,081
27	Management Fees	\$0	
	Taxes:		
28	Employee Withholding		
29	Employer Payroll Taxes	\$74,093	\$131,710
30	Real Property Taxes		
31	Other Taxes		
32	Other Cash Outflows:		
33	Cooling Costs	\$42,329	\$58,227
34	Tectrol, Peak Fresh and Recorder Costs	\$2,975	\$7,303
35	Packaging Materials	\$208,214	\$401,153
36	Direct Crop Costs	\$78,496	\$246,628
37	Outside Farm Services (Weeding)	\$43,665	\$145,698
38	Total Cash Disbursements:	\$1,270,670	\$2,822,343
39	Net Increase (Decrease) in Cash	(\$13,314)	(\$12,448)
40	Cash Balance, Beginning of Period	\$29,095	
41	Cash Balance, End of Period	\$15,781	(\$12,448)

PROOF OF SERVICE OF DOCUMENT

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is:
3199 Airport Loop Drive, Suite A3, Costa Mesa, California 92626

A true and correct copy of the foregoing document described **MONTHLY OPERATING REPORT #3** will be served or was served **(a)** on the judge in chambers in the form and manner required by LBR 5005-2(d); and **(b)** in the manner indicated below:

I. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING ("NEF") – Pursuant to controlling General Order(s) and Local Bankruptcy Rule(s) ("LBR"), the foregoing document will be served by the court via NEF and hyperlink to the document. On 9/22/2015 I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following person(s) are on the Electronic Mail Notice List to receive NEF transmission at the email address(es) indicated below:

- United States Trustee (SJ) USTPRegion17.SJ.ECF@usdoj.gov, ltroxas@hotmail.com
- Thomas A Vogele on behalf of Debtor tvogele@tvalaw.com
- Effie F. Anastassiou on behalf of Creditor California Coastal Rural Development Corp. and K&M Enterprises, LLC effieesq@salinasaglaw.com; paralegal@salinasaglaw.com
- Joseph M. Welch on behalf of creditor Tom Lange jwelch@buchalter.com; dcyrankowski@buchalter.com
- William Brody on behalf of creditor Tom Lange wbrody@buchalter.com
- Thomas J. Polis on behalf of Debtor Santa Cruz Berry Farming Company, LLC tom@polis-law.com, paralegal@polis-law.com
- Michael A. Sweet and Dale L. Bratton on behalf of Creditor Committee Official Committee of Unsecured Creditors msweet@foxrothschild.com, mflores@foxrothschild.com, brattonlaw@comcast.net
- Rebecca A. Caley on behalf of Requestor Mercedes-Benz Financial Services dba Daimler Truck Financial rcaley@caleylaw.com
- Ralph P. Guenther on behalf of Interested Party Del Mar Food Products Corp and Richard Gurnee courts@tkdougherty.com; angelal@montereylaw.com
- Jerry Namba on behalf of Creditor Beth Crandall nambaepiq@earthlink.net; jnambaepiq@earthlink.net
- Barbara Choi on behalf of Pajaro Valley Water Management Agency bchoi@abc-law.com

☐ Service information continued on attached page

II. SERVED BY U.S. MAIL OR OVERNIGHT MAIL (indicate method for each person or entity served):

On 9/22/2015 I served the following person(s) and/or entity(ies) at the last known address(es) in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States Mail, first class, postage prepaid, and/or with an overnight mail service addressed as follows. Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.

☒ Service information continued on attached page

III. SERVED BY PERSONAL DELIVERY, FACSIMILE TRANSMISSION OR EMAIL (indicate method for each person or entity served): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on 9/22/2015, I served the following person(s) and/or entity(ies) by personal delivery, or (for those who consented in writing to such service method), by facsimile transmission

and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on the judge will be completed no later than 24 hours after the document is filed.

☒ Service information continued on attached page

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

9/22/15

/s/ Angela Brown

VIA OVERNITE EXPRESS

Judge M. Elaine Hammond
United States Bankruptcy Court
Northern District of California
United States Courthouse, Room 3035
280 South First Street
San Jose, CA 95113-3099

UNITED STATES TRUSTEE (SJ)
280 S 1st St #268
San Jose, CA 95113

VIA EMAIL

Armando Ramirez
287 Carsserly Road
Watsonville, CA 95076
E: aramirez@santacruzberry.com

Beth Crandall
c/o Jerry Namba, Esq.
Law Offices of Jerry Namba
504 E Chapel St.
Santa Maria, CA 93454
T: 805-347-9848
E: nambaepiq@earthlink.net

CCOF Certification Services, LLC
2155 Delaware Avenue, Suite 150
Santa Cruz, CA 95060
E: inbox@ccof.org

Cedar Point Nursery
PO BOX 1447
Klamath Falls, OR 97601
E: cpaulsen@cedarpointnursery.net

EDD

Bay Area Collection Office
7677 Oakport Street, Suite 400
Oakland, CA 94621-1933
E: itcdbg@edd.ca.gov

Franchise Tax Board
Bankruptcy Section MS A-340
PO Box 2952
Sacramento, CA 95812-2952
E: BKBNCNotices@ftb.ca.gov

Helena Chemical Company
c/o Steven Koch, Esq.
Koch, Degn and Gomez LLP
1148 N Chinowth St.
Visalia, CA 93291
T: 559-740-7665
E: smk@tularecountylaw.com

Internal Revenue Service
Department of the Treasury
Ogden, UT 04201-0005
E: cio.bncmail@irs.gov

Janey Leonardich
c/o Susan B. Luce, Esq.
Susan B. Luce, Attorney at Law
182 Eleanor Ave.
Los Altos, CA 94022
T: 408-291-6000
E: sbluceatty@yahoo.com

In re: SANTA CRUZ FARMING COMPANY, LLC
Debtor(s).

CHAPTER: 11

CASE NUMBER: 15-51771

Kanaka Peak Service
Attn: Beth Crandall
PO BOX 1287
Watsonville, CA 95077
E: bethcrandall@att.net

Norcal Nursery
PO BOX 1012
Red Bluff, CA 96080
E: krisb@sakumabros.com

NABTA USA International, Inc.
6955 Barton Road
Granite Bay, CA 95746
E: george@nabta.com

Sambrailo Packaging
c/o Thomas P. House, Esq.
734 East Lake Ave., Suite 17
Watsonville, CA 95076-3568
T: 831-728-0476
F: 831-728-0496
E: tomhouse@attorneyhouse.com

VIA US MAIL

Cypress Ag Consulting
PO BOX 3597
Freedom, CA 95019

Famous Software
8080 North Palm Ave., Suite 210
Fresno, CA 93711

Fenton & Keller
PO BOX 791
Monterey, CA 93942

Nationwide Agribusiness Ins.
c/o McSherry & Hudson
PO BOX 2690
Watsonville, CA 95077

Pacific Gas and Electric Company
PO BOX 8329
Stockton, CA 95208

RDO Water, LLC
10108 Riverford Road
Lakeside, CA 92040

Richard Jon Gurnee, Switzer Trust,
Etheleen Callender Trust
724 Brewington Avenue
Watsonville, CA 95076

Wendal Rosen Black & Dean, LLP
1111 Broadway, 24th Floor
Oakland, CA 94607